Foreword

The creative industries and their associated entertainment and media sectors (e.g. film, music, publishing, television, and video games) are particularly appropriate foci for understanding the sources of industry sector transformation. These digital sector industries have experienced a transformation of their value chains and business models with profound implications for business ecosystems more generally. Sources of these transformations are multiple and include the following:

**DISRUPTIVE TECHNOLOGICAL CHANGE AND IMPACT ON VALUE CHAINS AND BUSINESS MODELS**

The core technologies of media and entertainment industries have evolved from analog (physical media) to digital (electronic) production tools (hardware and associated software), and this digital transformation has set in motion a trajectory of rapid innovations and improvements resulting in smaller, lighter, more mobile, and easier to use tools for content creation, content editing, and distribution. Associated with these developments have been improved quality, faster development cycles, and lower costs of digital production.

Moreover, these technological innovations have disrupted the traditional value chains of digital sector industries. Media and entertainment industries have traditionally featured sequential, linear value chain relations between clearly defined content contributors, publishers, and distributors with explicitly assigned intellectual property rights. The digital revolution has transformed these traditional value chain relations into a more complex digital ecosystem in which content providers with varying degrees of intellectual rights from a variety of industries are finding distribution platforms for their offerings in a small number of trans-industry players whose technology offerings are not limited to any particular media content or entertainment industry. These aggregators include such familiar high technology players as Amazon, Apple, Google, and Microsoft and somewhat less familiar Internet Service Providers (ISP) and operators such as Orange, BT, DT in Europe or Verizon and Comcast in the USA.

As a result of these new digital ecosystems of relationships, all participants are scrambling to create business models appropriate to this digital landscape. Familiar pricing schemes previously associated with specific content sectors are giving way to a bewildering variety and mix of subscription, pay per view, advertising, and freemium models offered in different combinations.
THE MILLENNIUM GENERATION CHALLENGE

The common challenge facing all digital content producers and aggregators is to forge productive linkages with a fragmented market of content consumers, whose own predilections toward content sourcing, loyalty, and pricing pose unprecedented challenges. The so-called millennium generation is much more inclined to seek out highly customized and socially networked forms of engagement with producers, aggregators, and distributors of content. Rather than being passive consumers of content, they are more inclined towards active selection of specific bits of news, entertainment, and digital services that they can access conveniently on those apps suitable to their preferred modes of content display (e.g. television, computer, tablet, or smartphone).

EMERGING BUSINESS STRATEGIES FOR THE DIGITAL SECTOR

As a result of these industry transformations, the business strategies employed by participants in these digital sectors are also evolving. For example, the traditional business strategy principle of focusing on a single strategy discipline or generic strategy is giving way to the simultaneous pursuit of multiple forms of competitive advantage. Similarly, the traditional injunction to attack different market segments sequentially is also being increasingly replaced by the simultaneous assault on a variety of market segments globally that can be instantly reached via Internet-enabled content distribution, marketing, and promotion.

Lastly, the traditional focus on firm-specific competitive strategies is giving way to and being complemented by collective strategies in which alliances and networks of firms and non-firm players (governments and nongovernmental organizations) work together to establish winning coalitions whose combined and complementary offerings are preferred by buyers over the offerings of other coalitions of value creators. One offshoot of these collective strategies is that firms may simultaneously compete with rivals in some arenas while cooperating with them elsewhere. Thus, digital sector firms are increasingly engaged in coopetitive relations with their rivals.

In conclusion, the trends in digital disruption and transformation summarized briefly make it increasingly important that we revisit our traditional assumptions and tool kits for strategy analysis, business model creation, and our strategies for competitive advantage (whether sustainable or transient) in the digital sector. The lessons learned from this reassessment of the digital sector will undoubtedly prove valuable in reassessing the changing competitive landscape of an increasing array of industry sectors undergoing digital transformation.

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